

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 0277-01
BILL NO.: HB 233
SUBJECT: Environmental Protection; Health Dept.; Taxation and Revenue - General & Income
TYPE: Original
DATE: April 5, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$83,107)	(\$137,719 to Unknown)	(\$89,820 to Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$83,107)	(\$137,719 to UNKNOWN)	(\$89,820 to UNKNOWN)

***Unknown revenue loss from tax credits could be substantial.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health (DOH)** state it is unknown how many people would utilize this tax credit. However there were approximately 549,900 housing units listed as pre-1950 (most likely in need of lead abatement work) in the 1990 census data for Missouri. DOH, Office of Lead Licensing and Accreditation, received 106 notifications of lead abatement projects involving child-occupied facilities and dwellings in calendar year 2000. Most, if not all, of these 106 projects were funded by federal grants, in which case these businesses or individuals would not incur a liability, making them ineligible for the tax credit. This legislation could increase the demand for lead abatement for property owners that are ineligible for federal grants because of current grant income guidelines. In that case, the Office would need two additional FTE's.

DOH anticipates receiving 5,500 applications annually which would require administrative review, correction and approval by a Health Program Rep. I. One hundred percent of these applications would then need to be tracked by a Clerk Typist II, who would also issue the certificates of tax abatement (tax credit).

The DOH response to similar legislation from last session indicated substantial costs could be incurred if the proposal were to pass. The difference between last year's response and this year's response is that DOH has re-evaluated the legislation and believes that it could be implemented differently with minimal fiscal impact. Last year's DOH response indicated the Division of Environmental Health and Communicable Disease Prevention (EHCDP) would be responsible for the implementation of the legislation. Therefore, the fiscal note response from DOH proposed the development of a new mechanism for the Division to fulfill (as DOH interpreted) its proposed statutory mandates.

DOH has now determined that if the General Assembly were to agree with DOH on the new interpretation of the legislation, then there would be minimal impact on the operations of DOH. DOH does not have the experience or expertise to run a tax credit program and would require 2 FTE and associated costs to implement this legislation.

Routine physical inspection of facilities would not be part of the program activities with the new interpretation of the legislation. Therefore, standard inspection program costs would not be incurred and the cost of the legislation would be less than last year's DOH submission.

Office of Secretary of State (SOS) officials state the proposal creates an income tax credit for owners of real estate that contains a child-occupied involved in a qualified lead abatement project. SOS states that based on experience with other divisions, the rules, regulations, and forms issued by the Department of Health could require as many as approximately 10 pages in ASSUMPTION (continued)

the “Code of State Regulations”. SOS states that for any given rule roughly half again as many pages would be published in the “Missouri Register” as in the “Code” because cost statements, fiscal notes, and the like are not repeated in the “Code”. SOS states these costs are estimated. SOS estimates the cost of a page in the “Missouri Register” to be \$23.00. SOS estimates the cost of a page in the “Code” to be \$27.00. SOS estimates the cost at \$615. SOS states the actual costs could be more or less than the numbers given. SOS states the impact of this proposal in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, or withdrawn. SOS states the proposal alone does not require additional personnel but the cumulative effect of other proposals that require rule making activity may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In a similar previous proposal, officials from the **Department of Revenue (DOR)** stated the proposal would authorize a tax credit for the cost of lead abatement. The tax credit would be equal to 50% of the costs for taxpayers in census tracts over the poverty level and 100% for taxpayers in census tracts under the poverty level. The tax credit could not exceed \$50,000 per taxable year. Any entity receiving an excess of \$10,000 in tax credits could transfer, assign or sell the tax credits. The tax credit could be carried over to the next four succeeding tax years. The Missouri Housing Development Commission would certify each tax credit to the Department of Revenue.

DOR states the number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, would need one temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry) and one Tax Processing Tech I for every 2,000 credits claimed each year (processing). One Tax Processing Tech I would also be needed for every 3,000 additional pieces of correspondence generated by this proposal. The Division of Taxation, Business Tax Bureau, would need one Tax Processing Tech I for every 3,680 credits claimed.

DOR assumes this proposal would require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours, a cost of \$41,617. Modifications to tax returns and schedules would be completed with existing resources. State Data Center charges would increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 is requested for on-going costs.

ASSUMPTION (continued)

In a similar previous proposal, officials from the **Office of Administration - Budget and Planning (BAP)** stated they have no data available to determine the fiscal impact of this proposal. The proposal would have no impact to their agency.

Officials from the **State Tax Commission (TAX)** assume this bill will have no fiscal effect on their agency. TAX assumes this proposal would result in a decrease in the amount of tax revenue paid into the Blind Pension Fund.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss - Department of Health</u>			
Qualified lead abatement tax credits	\$0	(Unknown)*	(Unknown)*
<u>Costs - Department of Health</u>			
Personal service (2 FTE)	(\$43,286)	(\$53,241)	(\$54,573)
Fringe benefits	(\$14,427)	(\$17,745)	(\$18,189)
Expense and equipment	<u>(\$25,394)</u>	<u>(\$16,109)</u>	<u>(\$16,593)</u>
Total <u>Costs</u> - Department of Health	(\$83,107)	(\$87,095)	(\$89,355)
<u>Costs - Department of Revenue</u>			
Reprogramming costs	<u>\$0</u>	<u>(\$50,624)</u>	<u>(\$465)</u>
Total <u>Costs</u> - Department of Revenue	<u>\$0</u>	<u>(\$50,624)</u>	<u>(\$465)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$83,107)</u>	<u>(\$137,719 to Unknown)</u>	<u>(\$89,820 to Unknown)</u>

***Revenue loss from tax credits could be substantial.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may incur additional administrative costs and be able to claim the tax credit as outlined in this proposal.

DESCRIPTION

This bill authorizes various state tax credits to owners of certain child-occupied facilities who participate in a lead abatement project. The credit may be taken against income tax, franchise tax, or financial institutions tax. The credit will be equal to 50% of the lead abatement cost to the owner and cannot be claimed in more than 2 consecutive years. The credit is not refundable but can be carried back for 3 years or forward for 5 years.

The bill requires a tax certificate from the Department of Health to qualify for the credit.

The credit will apply to tax year 2002 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Health
Secretary of State
Office of Administration
Division of Budget and Planning
Department of Revenue
State Tax Commission



Jeanne Jarrett, CPA
Director

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